

Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 08954 132154Z

20

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 TRSE-00 COME-00 L-03 H-02

CIAE-00 INR-07 NSAE-00 STR-04 FTC-01 ITC-01 AGR-05

/037 W

----- 093749

R 132100Z SEP 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 1354

AMEMBASSY BUENOS AIRES

INFO AMEMBASSY BRASILIA

AMEMBASSY LIMA

AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY CARACAS

LIMITED OFFICIAL USE SANTIAGO 8954

EO 11652: N/A

TAGS: ETRD, ECON, CI

SUBJECT: DUMPING AND ANTI-DUMPING

1. SUMMARY AND ACTIONS REQUESTED. THE DETERMINATION OF THE GOC'S ECONOMIC TEAM TO COMBAT CHILE'S RAMPANT INFLATION INTER ALIA THROUGH PROGRESSIVELY LOWER TARIFFS AND CHEAPER IMPORTS HAS BEEN THREATENING A NUMBER OF HIGH-COST CHILEAN INDUSTRIES. CHIEF AMONG THESE IMPORTS ARE WINE AND SHOES FROM ARGENTINA. ALLEGATIONS OF DUMPING AND DEMANDS FOR SOME KIND OF IMPORT RESTRICTION ARE WIDESPREAD. CHILE, IT IS SAID, IS TRYING TO BE MORE 'FREE MARKETEEER' EVEN THAN THE UNITED STATES WHICH ITSELF APPLIES 'SOCIALIST'-TYPE COUNTERVAILING DUTIES. ONE EXAMPLE RECENTLY CITED IN A LEADING PERIODICAL IS THAT OF SUCH U.S. PUNITIVE MEASURES AGAINST SHOE IMPORTS FROM BRAZIL. FOR DEPARTMENT. WE WOULD APPRECIATE BEING INFORMED FURTHER AS TO THE VALIDITY AND RELEVANCE OF THIS EXAMPLE, WHICH IS LIKELY TO BE CITED BY CHILEANS AGAIN. FOR BUENOS AIRES. CAN YOU SUPPLY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 08954 132154Z

SUMMARY OF ARGENTINE EXPORT INCENTIVES, INCLUDING EXCHANGE

RATE DIFFERENTIALS? END SUMMARY AND ACTIONS REQUESTED.

2. ACCORDING TO WEEKLY QUE PASA, THE "ARGENTINE MENACE" BEGAN WITH THE MILITARY TAKEOVER THERE, AND THE MEASURES TAKEN BY THE NEW REGIME TO RESTORE ARGENTINA'S BALANCE OF PAYMENT. IT IS ARGUED THAT THE ARGENTINES EFFECTIVELY SUBSIDIZE THEIR EXPORTS BY USE OF THEIR DIVIDED EXCHANGE RATES. COMPONENTS FOR ARGENTINE EXPORTS WHICH ARE IMPORTED INTO ARGENTINA ARE PAID FOR AT THE OFFICIAL EXCHANGE RATE OF 140 PESOS TO THE DOLLAR. THE EXPORTER CAN THEN EXCHANGE HIS DOLLAR EARNINGS AT RATES OF UP TO 245 PESOS ON A SLIDING SCALE IN PROPORTION TO THE AMOUNT OF ARGENTINE LABOR THAT HAS GONE INTO THE FINISHED EXPORT. SHOE EXPORTS ALLEGEDLY ENTITLED THE EXPORTER TO 245 PESOS TO THE DOLLAR, THUS MAKING POSSIBLE A ROCKBOTTOM EXPORT PRICE. THESE ARE NOT, STRICTLY SPEAKING, SUBSIDIES, THE CHILEAN SHOE MANUFACTURERS ADMIT, BECAUSE THEY FLOW FROM EXCHANGE RATE DIFFERENTIALS. ACCORDING TO THESE CHILEANS, THAT DOES NOT MAKE THEM ANY LESS UNFAIR.

3. WINE PRODUCERS ARE EQUALLY UPSET. THERE MAY NOT, THEY AGREE, BE A FORMAL ARGENTINE BOUNTY ON WINE EXPORTS. NEVERTHELESS, THEY SAY, CREDITS COMBINED WITH GUARANTEED BASE PRICES IN ARGENTINA AMOUNT TO THE SAME THING. ALL ARGENTINE EXPORTS HAVE ACCESS TO SPECIAL ONE-YEAR CREDITS AT 7 PERCENT, RESULTING IN A COST ADVANTAGE NOT AVAILABLE TO THE CHILEAN COMPETITION. MEANWHILE, THE TARIFF PROTECTION ACCORDED CHILEAN WINE HAS DROPPED FROM 70 PERCENT TO 30 PERCENT. HOWEVER EFFICIENT THEY MIGHT SOMEDAY BECOME, CHILE'S WINEGROWERS ARGUE, THEY WILL STILL NEED FOUR YEARS OF PROTECTION AT A MINIMUM IN ORDER TO ADJUST TO THIS COMPETITION. OTHERWISE, IMPORTS FROM ARGENTINA WILL EFFECTIVELY DISCOURAGE NEW INVESTMENT IN CHILEAN VINEYARDS.

4. MEANWHILE, A CHILEAN IMPORTER OF WINE FROM ARGENTINA HAS RECENTLY HAD HIS PICTURE IN THE PAPERS IN STRONG SUPPORT OF THE IMPORT-ORIENTED, ANTI-INFLATIONARY POLICY OF THE ECONOMIC TEAM. "POWERFUL GROUPS", WHICH, HE SAYS, DOMINATE THE CHILEAN WINE INDUSTRY, HAVE BEEN BLOCKING HIS REQUESTS FOR LICENSES TO IMPORT HIGH-QUALITY ARGENTINE WINE AT 55 PERCENT OF THE COST OF THE EQUIVALENT CHILEAN PRODUCT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTIA 08954 132154Z

5. THE PRESIDENT OF THE CHILEAN MANUFACTURERS ASSOCIATION (SOFOFA), ARGUES THAT THE GOC "HAS TO DO SOMETHING" TO PROTECT DOMESTIC INDUSTRIES FROM "UNFAIR" COMPETITION. AT THE HEART OF SUCH COMPLAINTS LIES A FAMILIAR AMBIVALENCE: LIPSERVICE TO THE FREE MARKET CONCEPTS BEING ENFORCED BY THE ECONOMIC TEAM JUST SO LONG AS CHILEAN ENTREPRENEURS THEMSELVES ARE NOT BEING DAMAGED. QUITE APART FROM THE MATTER OF THE "FAIRNESS" OF THE PRICING OF IMPORTS FROM ARGENTINA, ONE LONGER RANGE QUESTION

IS WHETHER AN ABRUPT INCREASE IN IMPORTS IS THE APPROPRIATE
SOLUTION FOR CHILE AT THIS TIME, GIVEN THE RELATIVE INEFFICIENCY
OF A NUMBER OF ITS MANUFACTURERS, AND THE HIGH RATE OF
UNEMPLOYMENT. ON THE OTHER HAND, WHEN PRICES OF STAPLES LIKE
WINE AND SHOES SOAR -- AS THEY HAVE IN RECENT MONTHS -
MARKET FORCES AS WELL AS FAIRNESS TO THE CHILEAN CONSUMER
WOULD MAKE THE EXCLUSION OF IMPORTS FROM A LOWER-COST
NEIGHBOR HARD TO JUSTIFY.
POPPER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, ANTIDUMPING LAW (TRADE), INFORMATION CONTROL
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANTIA08954
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760345-0985
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760966/aaaacesl.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2004 by ElyME>; APPROVED <22 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DUMPING AND ANTI-DUMPING
TAGS: ETRD, ECON, CI
To: STATE BUENOS AIRES
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006